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Strategic management

MTG520

1. Introduction:

A Wholesaler toy's company, Just Toyz, located in Thailand operating an online business covering the market only for two countries, Japan and United Kingdom.

The company faced an unexpected growth in sales exceeds multimillions in short period, about 3 years only. The company owners saw a unique opportunity for their business to have bigger market share especially in the US and EU markets. Just Toyz looking to build a company strategic plan enable them to achieve more growth and access other markets segments and acquiring more market share.

Its expected with the properly built plan to company will have more clear business objectives with objective oriented driven operation (Tim Berry, 2013)

The company currently working with no systemized and well managed plans allow them from overseeing and forecasting the market trends and available opportunities with accompanying threats.

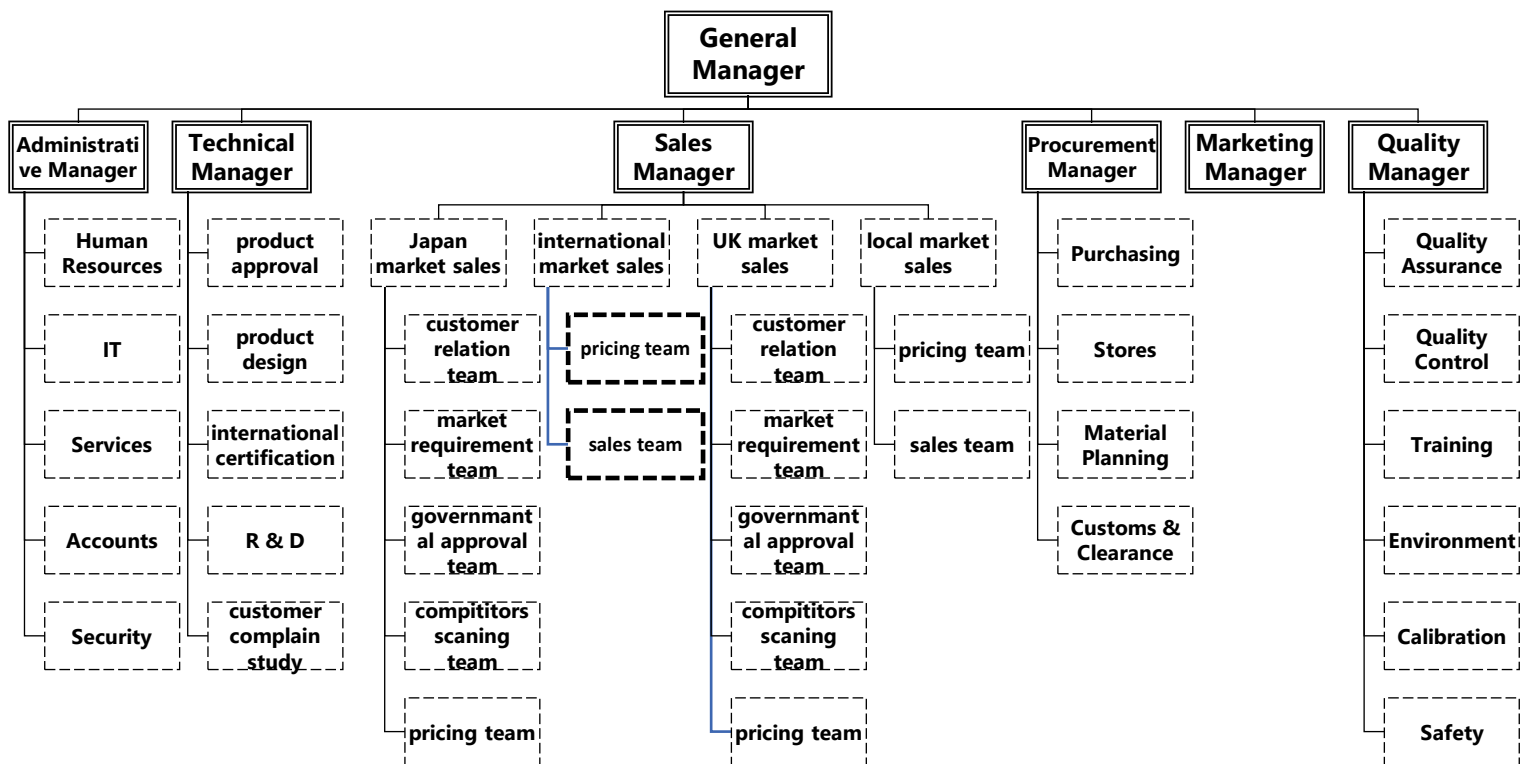
2. Managerial and company system:

The company currently doesn't employ any strategic planning in their operation and business managing. They rather focusing on organizational management system that manage the day to day operation and insuring of proper handling of customer requirement, like ISO9001 quality management system (ISO 9001. 2015)

With the ISO 9001, Just Toyz built some of the main basic strategic planning functionality requirements such as organization structure/ objectives/ customer focus/ and PDCA planning cycle, But still not suitable for merging the company and introducing the competitive international market with considerable market share.

The company planning to increase its market share, with new global competitors, that makes the need for a strategic plan to run the business a necessity.

For the company to have the flexibility of moving ahead in achieving the targets, and organizational structure built to clearly show the dependence between each and different functional departments in the Just Toyz company. A functional organizational structure redesigned to meet new company strategy.



3. Strategic plan comparison

With the availability of different business strategies can be implemented and adopted by the company. Different strategies can have different impact on the company. Selecting an appropriate strategy is a critical decision to be made and consideration with short- and long-term objectives.

Bellow comparison made to showing pros and cons of main type of strategies:

Strategy	Strategy approach	Pros	Cons
Competitive	Cost leadership	<ul style="list-style-type: none"> - Efficient and better utilization of resources - Increase market share among limited budget customers - Improve the sustainability of the business. - Lower competition from the market 	<ul style="list-style-type: none"> - Lower investment in innovation and R&D - Cut cost can have impact on other critical departments like inventory or customer service. - Easy to be adopted by other competitors, which will make the company under the pressure to more reduce and cut cost - Quality of product not a concern, which will lead to lower quality with the time. - Large volume of sales to be beneficial.

	Differentiation	<ul style="list-style-type: none"> - Not affected by price war competitions and low price products - Capability of imposing higher profit margins on product - Building a brand loyalty - No perceived substitutes (Indeed editorial team, 2021) - Targeted and focused marketing plans 	<ul style="list-style-type: none"> - Higher product cost due to adding higher value on product to differentiate it from other competitors - Limited buyers with excluding a big portion of customers. - Based on customer perception. - Require continuous evaluation for the market/ customer needs/ competitor's equal alternative
	Focused cost leadership	<ul style="list-style-type: none"> - High price can be charged - Build a reputation for providing good quality at low price. - Product will never be compared to another cheap low-quality product. 	<ul style="list-style-type: none"> - Competitors usually larger firms - Very difficult to match between low cost and high value product. - Limited demand exists.
	Partnership	<ul style="list-style-type: none"> - Less costly - Easy to establish - Sharing the obstacles and difficulties - Accessing a new knowledge and experience platform. 	<ul style="list-style-type: none"> - Less flexibility in decision making - No independent legal status - Complications which can lead to conflicts - Shared profits

Growth	Market penetration	<ul style="list-style-type: none"> - Fast growth in short period - Killing competitors on fast rate. - Increasing customer base. 	<ul style="list-style-type: none"> - Limitation on lowering product price. - Harmful to customer perception in case of focusing at luxuries customers
	Vertical Backword	<ul style="list-style-type: none"> - More control on supply chain - Reduction on cost - Ease of adoption of new technologies 	<ul style="list-style-type: none"> - Lack of expertise to lead the new business - Huge amount of financial resources - Increased pressure for managing both businesses efficiently and effectively.

4. Strategy selection and fit.

4.1. Growth, vertical backword strategy:

Just Toyz plans for enlarging its market share can be a challenging decision. Adopting the wrong methodology can lead to wrong and gives the opposites results, worse can results on shutting down all the market for them.

Looking for the most fit strategy require careful understanding for the audience and their needs with keeping eyes on competitors who leads the market on both UK and Japan.

In the toys market, the competitiveness is so hard, and the market is very quickly changing from day to day. Different product can be the trend in the market in just a minute due to social media. With more than 90% for current toys market competition is based on price, innovation and ability of quickly changing and adopting new technologies. So having more

control on supply chain will lead to more flexibility on market. And better pricing plans. then adopting growth would be best option among others.

Just Toyz , with SWOT analysis, decided to adopt the Growth vertical backword integration strategy, which will enhance the company business with bellow benefits over other strategies to the company:

- 1- The company will have shorter supply chain which will enhance the delivery of product. by eliminating any intermediate barriers and delayed scheduling caused by manufacturer.
- 2- The cost of product will have more competitive, by eliminating the extra margins benefits imposed by manufacturer.
- 3- More product support service. with the manufacturer being part of the product placement in the market, then feedbacks received from clients will be properly and effectively processed for improvement.
- 4- Ability to acquire more market share by having more control on other wholesalers.
- 5- More stable suppling prices.

4.2. Growth vertical backword integration strategy action plan:

With Just Toyz plans to adopt vertical backword and focusing electronic games market segment, the company started to invest and acquires/ partnering with businesses specialized in software programming and toy's hardware manufacturing companies.

The company prepared an action plan targeting main companies providing product and services to Just Toyz. Targeting to acquire, partner.

A- Acquiring:

The company set a plan to acquire businesses providing software for the top first and second high sales toy's

B- Partnering:

Due the high manufacturing complexity and major financial investment, Just Toyz plan to partner with main 1st supplier with the company who providing highest sales product

5. Competitive advantages strategy

Adopting competitive advantage strategy can help Just Toyz in rapidly acquiring a major market share and enable it to outperform its competitors. With the competitive advantages, the company can never be easily copied by its competitors.

For being able of adopting this strategy, Just Toyz must be unique in its delivered product and services.

- Very responsive to customer: with customer being the main target audience, his voice should be always heard, at all stages including after product delivery. Customer must be **serviced** at the outmost.
- Innovative product/services: and R&D department established for keep an eyes on the market and avoid of not seeing other markets and competitor products. Avoiding the **Myopia**
- High quality: Adopting quality management system **ISO 9001**, will ensure the company continuously evaluating and monitoring customer requirement.
- Efficient with low cost: operating the business from Thai, enable the company to be running with low overhead cost compared to Japan and UK markets. Applying **lean-six sigma** principles will reduce the cost and defect and waste of production to minimum.

The company adopted the **cost-focus leadership strategy**, the company planning to excel in the electronic gaming segment, which compromise 60% of all toys market with audience age

from 8 to 15 years which represent 70% of the total market audience. So it's a major segment to acquire and pioneer in the market.

5.1. Establishing competitive advantages strategy:

- Resources utilization:
 - By properly utilizing the time, manpower, machine. The just toyz adopted the system of 5S system.
 - By eliminating the number of defect and customer complain, the company adopted lean-6sigma system.
- Reducing the direct and indirect costs
 - By eliminating all non-added value to customer operation from the company hierarchy
 - Keeping all the engineering, support, product realization in Thai, where salaries are very low, and only operating a sales team from Japan and UK.
 - Eliminating the stocking and warehousing activity and their related costs, and adopting the just-in time principles.
- Having control on supply chain suppliers, mainly the supplier with high profit margins, and planning to acquire them or partner with them in plan to reduce supplied good and services cost.

6. Goals

Developing a strategic plan start with the goals, everything later can be built on what long and short terms goals set by the top management.

From the vision and mission of Just Toyz, and the projected progress for the company and being a first choice in the toys market, the company established and long and short-terms objectives to support the company plans.

6.1. Short-term goals: (1 year plan)

- Increasing sales for 2022 by 10% compared to 2021 year.
- Increase the market share for Just Toyz by 5% within 2022
- Cut-cost by 20% of production, inventory, and fixed cost overheads by 2022
- Joining all Toys fair exhibitions located in both countries

6.2. Long-term goals: (5 years plan)

- Acquiring top list local toys company in both countries with market share exceeding 50% by next 5 years
- Achieving 70% market share for digital gaming by next 5 years
- Automating the production, packaging, sorting, inventory control and reducing the number of manpower by 90%
- Sponsorship KG school's science and IT class's for the main 3 top ranked schools in both countries.

7. Strategic Planning

7.1. Executive summary

- Company overview

Just Toyz, an online wholesaler company located in Thai started 3 years ago with operation in local market. by the second year, the company successfully succeed in getting access to two major international markets, Japan and UK, with successful sales and profits exceeds 10 million yearly.

- Management

The company is family owned with shares between 3 partners:

- Mr. Grick, own 40%, CEO

- Mr. Michel, own 30%, Advisor
- Ms. Sara, own 30%, Advisor
- Product:

Just Toyz offering a unique type of products for early age child from 5 to 16 years old. And specialized in products enhancing the educational process for grades 1 to 10 with approved products from main international schools across the world.

Started with a electronic gaming segment targeting the Tech child who seeking excitement and challenges.

- Market:

Just Toyz started with operating on local Thai market. Accessing foreign international market, the company established an operation in Japan and UK.

- Competitive advantages

Among many competitors who provide online wholesales for toys, Just Toyz is the only who provide solutions and product for educational topics and complement schooling experience, which makes our company a partner with many schools in UK and Japan.

Just Toyz competing in low-cost in the gaming sector and provide a unique dedicated service for each working market utilizing country language.

- Financial statement

For the first 36 month of operation, the company achieved sales volume exceeds the targeted by 30%. With the company being an online operated, most of the operation are focused on Thai with total number of 20 employee with overall salary around 40,000 USD.

A service office recently planned to be open on both market (Japan, UK), with operational cost 30,000 USD.

7.2. Vision

To supply a high-quality Toys can be handed down from generation to generation with being # 1 choice in toy's world.

7.3. Mission

Establishing and online toys shopping stores enable clients to access a wide range of brands with variety option covering child ages and satisfying the learning curiosity for them.

7.4. Goals

To harmonize the company, work and ensuring all different operations are aligned and linked together, a company goals prepared and reviewed in yearly basis and monitored continuously to insure the proper implementation with a KPI matrix.

The Just Toyz goals are made in harmonized with the company vision, mission and long, short terms strategic objectives, and subdivided into two levels

- Top management objectives:
 - Achieving market penetration and share by at least 30% by accessing at least one new market segment (school market segment) by 2022.
 - Achieving lowest price on electronic gaming among other competitors.
 - Ensuring fast delivery by not exceeding 48 hours of any order size
- Functional objectives:
 - Sales:
 - Increasing sales for 2022 by 10% compared to 2021 year.
 - Marketing:

- Increase the market share for Just Toyz by 5% within
- Joining all Toys fair exhibitions located in both countries
- Production:
 - Cut cost by 20% of production, inventory, and fixed cost overheads by 2022

7.5. SWOT analysis

7.5.1. SWOT Matrix

With Just Toyz company plans for accessing international market and gaining more market share. Its essential to know about potentials and limitations surrounding the company, internal and external, and understanding the company positions within the both targeted markets. “A SWOT analysis helps you make smart, informed business decisions” (Kiely Kuligowski, 2022)

Strength
<ul style="list-style-type: none"> - Just Toyz located in Thai country, which with low manpower salary rate compared to Japan and UK. - Supply chain availability for row material with ease of sourcing. - Row material local supplier availability with low competitive cost. - Availability of financial capacity with enough budget for marketing - Semi-Automated operation - 30% of power usage are generated by renewable energy
Weaknesses
<ul style="list-style-type: none"> - Lack of experienced manpower - High manpower turnover rate - Competitors with long and high experience

<ul style="list-style-type: none"> - Non-availability of R&D labs in Just Toyz company. - No direct shipping from Thai to UK
Opportunity
<ul style="list-style-type: none"> - Currency transfer rate for the benefit of Just Toyz - Nearby shipping and logistic companies (DHL, UBS, ARAMEX, seaport, air cargo) - Digitalized governmental infrastructure, so all governmental required documentation, processing, request, certification and inspection are done through electronic portal with max 24 hour of processing.
Threats
<ul style="list-style-type: none"> - Economic downturn due to COVID19 pandemic - High inflation rate in Thai - High price for oil and gas in Thai

7.5.2. SWOT action plan

Just Toyz company facing a noticeable challenge in their business which can limit their ability to expand and gain more market share. On contrary, the company possessing a unique power point which can be useful in defeating and enhancing the company position in the market.

“A TOWS analysis to help making a connection between each SWOT element to create an actionable strategy”. (Lisa Furgison, 2015):

- How to use the company strength to maximize the opportunity gaining?
- How to the company strength to threats identified?
- How to minimize the weaknesses effect by proper utilization of opportunity?

- How to avoid threats by minimizing company weaknesses

Strength → opportunity strategy
<ul style="list-style-type: none"> - due to nearby shipping and logistic companies, and availability of financial capacity with Just Toyz. To rent a car's for forwarding shipment direct to the shipping yards and avoiding time queuing with shipping companies. - Due to high transfer currency, and availability of local raw material supplier. To buy all raw material from local companies and benefit from low cost price
Strength → threats strategy
<ul style="list-style-type: none"> - To overcome the high inflation rate, and with availability of raw material supply chain and financial capacity. To procure a bulk stock raw material and warehouse them in supplier stores with just-on time delivery - To over come the high price of oil and gas, to extend the usage of generated renewable energy to overcome operation facilities - With the lack of experienced manpower, to and availability of semi-automated operation. To extend and integrate the automated system to cover production.
Opportunity → weaknesses strategy
<ul style="list-style-type: none"> - With the lack of experienced manpower and the power of currency high transfer rate. To provide a technical course on company cost - To overcome high turnover rate, a higher salary rate with benefits and retention strategy.
Weaknesses → threats strategy
-

7.6. STEEPLE

To overcome the weaknesses and have the flexibility of manoeuvring between the threats. A STEEPLE analysis conducted to evaluate the surrounding external company environment

factor		detail	Impact
Social	spreading of social networks such Facebook, TikTok.	social networks create an easy access online market with high marketing platform with huge audience	positive
	online shopping websites	the new available online shopping makes product purchasing more easy and more trusted for product availability	positive
	language (in Japan people early speaks English)	electronic gaming must be on bilanguage	negative and adding cost on product
	Japan and UK high wages	the two market for high purchasing ability	positive
	childhood population percentage for age 6-18, 50%	a market with high audience segment	positive
Technology	increase in number of technological devices (smart phone, smart TV)	marketing campaign must be mainly build considering reaching out audience through this devices	positive
	ease access to internet	purchasing and marketing strategies to be build considering internet	positive
	mega competitions (Facebook, amazon, eBay)	due to giant company business war's, they go down in prices bellow any other small competitors	negative and a challenging marketing strategy must be founded
Economic	very susceptible to inflation	leads to price instability, with risk of loosing markets	negative and product pricing will be challenged
	very risky international markets due to political conflicts	many of Just Toyz suppliers coming from China which coming under USA sanctions. Leading to Alternatives suppliers with higher prices	negative and can add cost on product and services
	countries developing on fast rate and became more industrialized	Thai become more financial and industrial developed country which make their product easy accessible to international market	positive
	no minimum wages in Thai	which reducing the pressure on employment and salary overhead cost	positive
Environ	dependency on oil and gas for electricity	make the power source cost fluctuation high	negative and adding cost on operating the business

	higher opportunity for LEED companies in Japan market	green operated business are reputed in Japan market and have higher chances for attracting clients, with more renewable energy usage to run the Just Toyz operation and enhance the company position in the market	positive
	availability of green energy in Thai	availability of the infrastructure make it more easy for the company to attach their renewable energy system with the governmental grid	positive
political	regulatory and legislation stability	no risk of change of regulatory Act's which may leads to major business risk and in compliance	positive
	Thai is member of ASEAN countries (ASEAN secretariat, 2022)	with signed bilateral agreements between Thai and both Japan/UK for removing trade obstacles	positive
	capitalism countries	free trade market and government not biased to any business	positive
Legal	availability of directives and standards must to comply	an advanced standardization infrastructure make it a necessary to acquire CoC's to have access to Japan and UK market	positive
	employment regulation, with high difficulty of employing from abroad	hard to bring expertise from abroad especially in gaming programming	negative, hard to fill the gap of missing expertises in the market
	non strict regulation regarding patents	risk of other competitors to seize the Just Toyz ideas	negative, risk of other competitors to adopt and steal the company ideas with no fear
Ethics	privacy of information clearly respected and must comply in Japan and UK market	not allowed to share any information for client with any third party	negative, loose of ability to collect and analysis audience trends to forecast future market
	Fear of monopoly	Thai market is highly monopolized market leading to higher price for material and services supply	negative, for non availability of more suppliers for critical raw material and services
	lack of corporate social responsibility	CSR not part of the Thai businesses and no incentives for such companies	negative, make companies competing on non-equal bases

7.7. 5-forces

With today businesses where number of companies are extreme with limited resources and audience, it became hard for company to retain and attract customers unless a distinguished

and unique operation symbolize the company in the market. Understanding the industry structure and weaknesses with strengths will help in determining the corporate strategy.

Porter 5 force's model used to identify and analyses the five competitive forces which shape and formulate the industry. (Michael E. Porter. 1980)

A- The power of buyers

With the available market and audience for Just Toyz, it a general non powerful projected young customer with the age from 6 to 15 years with no bargaining power, only focusing on innovation of provided product and price.

B- The power of supplier

With the uniqueness of the business which based on innovation and rapid change and moving with technology, the supplier for Just Toyz became unique and many of them are solely supplier. Especially in software programming.

The company must decentralize this power and try to minimize it to minimum possible by acquiring, partnering, and finding new international equivalent supplier.

C- The power of substitute

Being working on Toys industries, that's make availability of substitute always available to replace the company main product. working to minimize such power is by moving higher in value provided with Just Toyz product.

- Providing a dedicated after sales service for each of the targeted countries
- Providing regular update for the operating software
- Providing solution for possibility of replacing old devices with new one at reduced cost
- Providing lower price thorough vertical integration strategies

D- The power of competitor

Competition is extremely high, and challenging. Each providing unique product with powerful marketing campaign attracting clients.

Just Toyz need to take a challenging step to enhance its competition in the market by:

- Free of charge trial first month
- Minimum charge for student
- Competitive cost for group subscriptions
- Rewards system

E- The power of new intern

the online wholesalers became so favourable and easy to establish. New interns is highly possible. Just Toyz, must differentiate itself by:

- Mastering a special segment in the toys market, electronic gaming
- Move farther in the vertical integration growth strategy.

8. Conclusion:

With the recent industrial and business environment where expectation is made high and clients became more aware and educated with the type and ability to make selection based to many different criteria, with each client have different concern than others. Companies tries to access more market to achieve a long-term success and acquiring higher market share enable them from becoming more profitable, with the international market tempting companies for the high market gain.

Unfortunately, markets become not easy as used to be before. **VUCA** markets (Volatile, Uncertainty, Complexity, Ambiguity), market with uncertainty and ambiguity lead to more pressure on strategic decision making and on top leaders. Decision requires from leaders to

be **agile** and able to keep continuously monitoring the market and the new developing challenges from day to day.

Strategic planning and management enable the companies of building a solid and flexible system with systemized KPI enable them from checking the progress and achievement and taking corrective action when necessary.

Just Toyz KPI for the new markets

KPI	metric	target	Responsibility	Resources
Increasing the market share for Japan and UK market by 10% for the year 2022	Number of new clients /over all number of client	15 new retailers customer	Sales and marketing	Financial budget. Training
To keep Customer retention up to 95% of the year 2022	# of active customer/over all # of customer	95%	Sales ,marketing, top management	Financial, training, manpower
On time delivery by 99%	# of deliveries on time/overall number of projects	99%	Logistic, production, quality	Training, new automated machinery

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